

Peso Dynamic Allocation Fund

An investment fund option for **Affluence Max, Affluence Max Gold, Affluence Builder Series, Horizons** and **FlexiSure** variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

Investment Objective

The Fund seeks to achieve long-term capital growth through investments in diversified portfolios of peso-denominated fixed income securities and securities listed on the Philippine Stock Exchange and/or pooled fund/s that invest in these securities and other liquid fixed income instruments. It shall generally maintain a balanced allocation between fixed income and equity investments and may shift asset allocation between the two as risk/reward dynamics warrant but in no case shall the fund's equity or fixed income allocation exceed 70% of its assets.

Fund Information

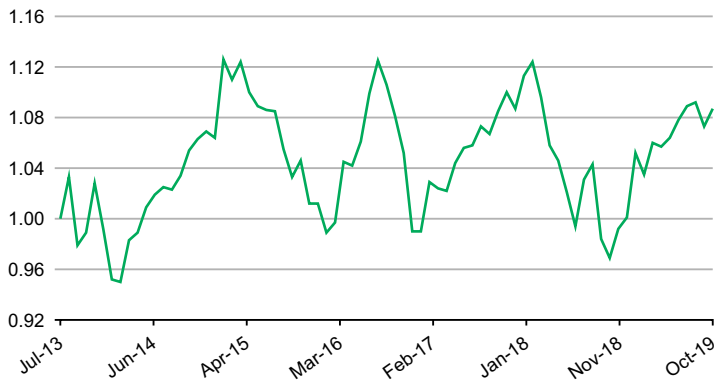
Inception Date July 2013	Fund Size PHP 5.11 billion	Fund Currency Philippine peso	Dealing/Valuation Daily
Price (NAV/unit) PHP 1.087	Management Fee 2.25% per annum	Bloomberg Ticker MPPHDYN	

Performance Return (October 31, 2019)

Peso Dynamic Allocation Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	1.30%	8.59%	12.18%	3.33%	2.26%	8.70%
Annualized	n.a.	n.a.	12.18%	1.10%	0.45%	1.33%

Past performance is not an indication of future results. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary.

Monthly Net Asset Value per Unit

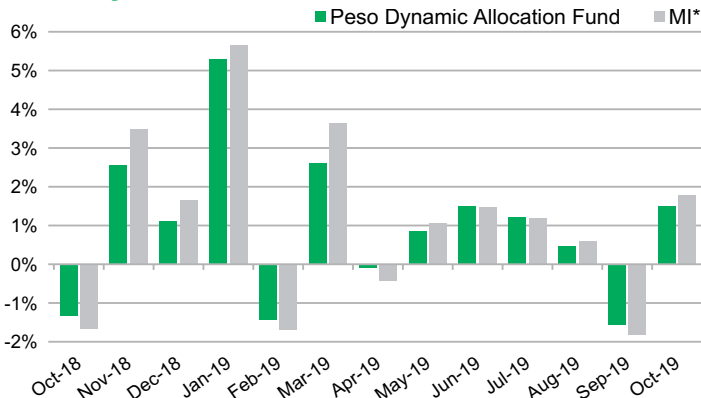


Top Five Holdings

Bond Pool		Equity Pool	
FXTN 03/12/24	19.3%	Manulife Equity Wealth Fund Class I	12.3%
RTB 12/04/22	15.5%	SM Investments	12.0%
RTB 06/13/21	6.4%	Ayala Land	9.2%
FXTN 04/21/23	5.8%	SM Prime Holdings	8.7%
Manulife Income Builder Fund Class I	5.3%	BDO Unibank	7.7%

Notes:
FXTN - Fixed Treasury Notes or Peso-denominated debts of the Philippine Government
RTB - Retail Treasury Bonds of the Philippine Government

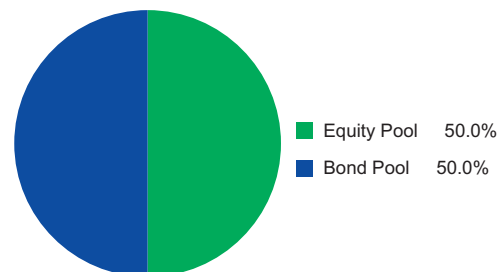
Monthly Performance



*Market Indicator = 50% Markit iBoxx ALBI Philippines Liquid Index + 50% PSEi

Portfolio Breakdown

Asset Allocation (at Market Value)



As per the fund's Investment Policy Statement, initial subscriptions are invested in fixed 40% Bond Pool and 60% Equity Pool. The investments in these pools consist of:
- Peso Bond Pool: Peso-denominated bonds of the Republic of the Philippines and term deposits.
- Equity Pool: Various stocks listed on the PSE and term deposits

Peso Dynamic Allocation Fund

Market Review

The local stock market index (PSEI) closed at 7,977, up 2.5% for the month of October. Markets reacted positively after the U.S. and China appeared to have reached some common ground during high-level trade negotiations in Washington. A partial trade deal is currently being worked out between the two countries. On the macro front, Philippine inflation continued to ease in October with a 0.8% reading. Inflation was driven by the continued decline in the heavily-weighted food and non-alcoholic beverages and transportation indices at -0.9% and -1.7%, respectively. This is consistent with the BSP's outlook that inflation has likely bottomed out in October and could start to pick up slightly in the following months as base effects start to dissipate. Food prices continued to decline despite African Swine Flu cutting the country's pork supply as consumers shifted to consuming more chicken and beef instead. With inflation well under control, the Philippine Central Bank announced another cut in reserve requirement ratios (RRR) effective December. This would be the 4th 100bps cut in reserve requirement this year, which would bring down the RRR to 14%.

The PSEI may likely find a positive catalyst in the near-term through the upcoming third quarter earnings season to help sustain its momentum above the 8,000 level. Philippine corporates are expected to deliver continued strong earnings growth of 16% for 2019. Furthermore, the overhang on the market caused by the IPOs scheduled for the remainder of the year has been greatly reduced. The supposed IPO of Metro Pacific's hospital chain, estimated at USD1.6bn got cancelled after the company decided to take a private sale route instead. As such, the market may strengthen on the news as investors redeploy raised cash in preparation for the deal. Lastly, the market environment continues to be accommodative of growth with the continuous decline in bond yields and banks' reserve requirements. 10-year bond yields were relatively unchanged month-on-month prior to the BSP's RRR cut announcement, suggesting price discovery has been fully achieved for the bond market. With the BSP's RRR cut set in December, all the Central Bank's plans for the remainder of the year have been laid out and therefore could result to minimal bond market movements for the remainder of the year.

Local peso bond yields experienced a slow grind downwards in October as expectations of the liquidity infusion from the total 2% reserve ratio requirement (RRR) cut in November and December come into play. Investors also positioned ahead of the large FXTN 7-56 maturity and purchased local bonds.

Outlook

Looking forward to 2020, we remain optimistic of the Philippine economy which should continue to be insulated from a global slowdown should trade war woes reemerge. 2020 economic growth will be mainly driven by government spending recovery due to the spillover of the national budget to next year, as well as favorable base effects from the 2019 budget delays. Corporate earnings are likewise expected to be healthy and expected to grow at a double-digit pace. The portfolio is tilted towards the banking and property sectors in anticipation of renewed infrastructure developments, which should result to higher funding demand and better real estate prices.

While October inflation came in at 0.8% as expected, 3Q GDP surprised on the upside at 6.2%, beating market estimates. With the improved government spending coupled with stable consumption, the possibility that the Philippines full year GDP could breach 6% is revived. Against this backdrop, we remain positive on the peso bond market and favor the belly part of the curve as we expect the Bangko Sentral ng Pilipinas to keep policy rates unchanged for the remainder of 2019.

The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Asset Management and Trust Corporation.

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